

January 13, 1994

Dear Pension Member:

Enclosed is your individual pension account statement for 1993, and an estimate of your normal age and service retirement benefits.

The account statement displays information on your contributions, interest, and beneficiaries. If no beneficiaries are listed, at your death the pension uses your spouse (if any) as your primary beneficiary. Please call Paul Lutomski 1-8749 for a form to change, or designate, your beneficiaries.

The benefit estimate assumes a 4% annual salary increase and a 7% annual return rate on assets.

Eleven members were placed on the retirement roll in 1993. These additions raise the pension's total number of retired members to 222. To retired members; \$2,131,405 were paid as monthly benefits and \$127,444 were paid as COLA benefits. Lump sum distributions at retirement totalled \$816,865.

The new computer system was completed, on schedule, in May 1993. In June your payroll personnel could use the estimation module of the system to produce the pension estimates you request. The new system improves administrative efficiency and member service.

Concerning the pension's assets; the August 31, 1993 market value was \$94 million, up from \$82 million a year earlier. We have had good results with government guaranteed CMOs (Collateralized Mortgage Obligations) and Treasury Bonds, Notes and STRIPS. Additionally, for the first time, the pension assets include equities. After a rigorous search and evaluation process the pension implemented a three pronged attack on the equity market in May 1993. Using dollar cost averaging, the pension will invest \$2 million in Vanguard's S&P 500 Index Trust Fund, \$1 million in American Funds Group (funds chosen were Washington Mutual and Investment Company of America) and \$1 million in a brokerage account at NBC. This plan will be fully implemented as of February 15, 1994.

We hope everyone has heard of the "Payroll Deduction Investment Plan." Because the pension has agreed to invest \$1 million with the American Funds Group, they have agreed to allow any City employee to invest in any of their 24 mutual funds, at no sales charge, through payroll deduction. If you would like an information packet on this investment opportunity, please call Paul Lutomski at 1-8749.

You may have heard that enhancements to the benefit schedule for the existing pension plan, and a new pension plan are under consideration by the City Council.

The existing pension will improve in two ways:

- 1) The benefit percent will be improved to provide a better pension for those retiring before age 53.

	7.0		7.6		
	NOW	NEW	NOW	NEW	
AGE 50	42%	48%	46%	52%	INCREASES
AGE 51	46	50	50	54	SHOWN
AGE 52	50	52	54	56	IN BOLD TYPE
AGE 53	54	54	58	58	
AGE 54	56	56	60	60	
AGE 55	58	58	62	62	
AGE 56	60	60	64	64	
AGE 57	62	62	66	66	
AGE 58+	64	64	68	68	

- 2) Contributions will no longer be taken from ages 53 to 58, once the member has contributed for 21 years. As the schedule above shows, the benefit percent will continue to increase without taking the contributions.

The new plan will apply to members hired after it is written into law. Current members will have the option of switching to the new plan, but the "switch date" will not occur before April 1, 1994. Rest assured you will be provided with plenty of information before a decision is required from you. We plan to conduct informal meetings, run computerized estimates etc. in the coming months.

Briefly, in the new plan the member contributes 8% for their entire career - no stopping. Normal retirement is age 50 and 25 years of service. The normal retirement benefit will be 64% and a refund will not be available. Early retirement will be age 50 and 21 years.

Please be patient. We look forward to meeting with you to explain these exciting benefit improvements.

Respectfully,

John E. Cripe
Compensation Manager